Metropolitan's Property and Casualty Insurance Program

Business & Finance Committee
Item 9-2
May 11, 2009

Metropolitan's Property and Casualty Insurance Program

Objectives

- Review the Current Program
- Provide Cost Estimates for Insurance Renewal

Metropolitan's Property and Casualty Insurance Program

- Self-insurance
- Administrative Code § 9101
- Excess and Specialty Insurance
- Third Party Claim Administration, Risk Management and the General Counsel

MWD Self-Insurance

- General Liability $25 million
- Workers' Compensation $ 5 million
- Property Damage 100%

MWD Excess Insurance

- General Liability $75 million
- Workers' Compensation $25 million
- Public Officials, Directors & Officers Liability $65 million
- Fiduciary & Employee Benefit Liability $60 million

MWD Excess Liability Coverage Layers and Limits

In Million Dollars

Coverage Type	SIR	AEGIS 1st Layer	EIM 2nd Layer	Coverage Limits
General Liability	**25**	**35**	**40**	**100**
Fiduciary	**25**	**35**	**25**	**85**
Directors & Officers	**25**	**25**	**40**	**90**

Associated Electric & Gas Insurance Services (AEGIS)
Energy Insurance Mutual (EIM)
Self Insured Retention (SIR)

MWD Specialty Insurance

Aircraft Hull	Assessed Value
Aircraft Liability	$25 million
Crime	$ 5 million
Special Contingency	$ 5 million
Travel Accident	$ 250,000

MWD Workers' Compensation Insurance
Current Coverage

- Self-Insurance $ 5 million
- Excess Insurance $25 million

MWD Workers' Compensation Insurance

Premium Increase

- Changes to payroll calculation
- 10% premium increase due to inflation and payroll growth.
- Resulting in a 43% overall premium increase for 2009/10.

2008/09
Actual Premium
$100,806

2009/10
Estimated
$144,000

MWD Workers' Compensation Insurance
Payroll Calculation

- Payroll Exposure
  - Workers' Compensation insurance premiums are based upon the payroll reported to the underwriter.
- Payroll Calculation
  - Payroll calculation previously limited to straight-time, over-time (without premium pay) and officers' salaries were capped based upon industry guidelines.
  - The National Council on Compensation Insurance (NCCI) rules outline additional fringe benefits and payroll categories that apply and increase reportable payroll.

MWD Workers' Compensation Insurance

NCCI rules apply for payroll calculation (some include):

- Wages, salaries, and hourly pay including retroactive adjustments
- Commissions and bonuses
- Annual, holiday and sick leave time categories
- Per-diem, rental value or lodging, and meals
- Employer paid contributions to pension plans
- Employer payments and contributions that reduce employees' gross earnings: employee savings plans, cafeteria plans and retirement plans.

MWD Workers' Compensation Insurance

NCCI rules apply for payroll calculation
(what is excluded):

- Premium Over-time
- Capped Salaries
- Car Allowance
- Cell Phone Allowance

MWD Insurance Program Premiums Outlook 2009/10

Excess Liability and Specialty Coverages are estimated to increase 13%

- Increase due to insurance industry investment losses, inflation and risk exposure growth
- Increase due to change in total payroll calculation

Policy Renewal Premiums are estimated to Increase from $1,054,408 to $1,190,600

Summary MWD Insurance Program and Premium Comparison

Actual 2006/07	Actual 2007/08	Actual 2008/09	Actual 2009/10
1,101,490	1,103,174	1,054,408	1,190,600

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SOUTHERN CALIFORNIA
1928